

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COMMISSION DIRECTIVE**

ADMINISTRATIVE MATTER

☐

DATE

July 14, 2010

MOTOR CARRIER MATTER

☐

DOCKET NO.

2009-479-WS

UTILITIES MATTER

☒

ORDER NO.

SUBJECT:

DOCKET NO. 2009-479-WS - Application of United Utility Companies, Incorporated for Adjustment of Rates and Charges and Modification to Certain Terms and Conditions for the Provision of Water and Sewer Service - Discuss with the Commission the Applicant's Petition for Rehearing or Reconsideration and, Alternatively, Request for Approval of Bond.

COMMISSION ACTION:

I move that we deny rehearing and reconsideration in this case, and that we deny approval of the proposed bond.

I disagree with United's assertions that Order No. 2010-375 improperly limited the scope of the Company's due process protections, with regard to the issue of unbilled sewer revenue. I also disagree with the assertion that the Order disregards the fundamental principles of utility ratemaking. In contrast, I agree with the Office of Regulatory Staff that it is within this Commission's discretion to decide whether to grant the Company's request for a rehearing but that the Company is not entitled to a rehearing as a matter of law.

In regard to the Company's claims of due process limitations, it is clear that the Company had notice of unbilled sewer revenue. This was first raised at the Piedmont night hearing on February 25, 2010, about four weeks prior to the Commission hearing on March 23, 2010. The matter was raised again at that hearing through the testimony of Mr. Metts and Mr. Davis. United then attempted to rebut the public witness testimony with that of Mr. Lubertozi, who testified to the results of a vacancy survey of 3 subdivisions. As a result of that survey, the Company found 51 customers out of a total of 464 billable customers were receiving sewer service without being billed, which was approximately 11%. Under cross-examination and questions from the Commissioners, Mr. Lubertozi stated that the Company was conducting a vacancy survey for other subdivisions starting with the United system, but that these surveys were not complete.

This exchange in the record was not limited to just the discussion of the three subdivisions surveyed. Through it, the Company inserted evidence into the record; specifically an inference of a comprehensive problem of some degree within all 12 subdivisions. The decision to expand the survey to the entire system demonstrates that the issue cannot be limited to just the three subdivisions that were surveyed by the time the Company testimony was given at hearing. If there was no cause for concern, then there would not be any need for a vacancy survey in the other subdivisions.

The Company's survey is evidence that some customers are receiving service without being billed, and the Company had plans to complete vacancy surveys for other subdivisions. However, in spite of being on notice of unbilled sewer revenue, those comprehensive surveys had not been completed at the time of the hearing. While Mr. Lubertozi stated that a bill should be generated to customers that are receiving service without being billed, and should be included in the billing determinants, when asked if these premises were included, he could not confirm. Clearly the Company was on notice that unbilled sewer revenue was an issue in the case, and the Company actually attempted to present at least some evidence on the question. I would also note that the Company failed to preserve its due process issue by failing to preserve objections to customer testimony regarding unbilled sewer revenue.

I also disagree with the assertion that the Order disregards the fundamental principles of utility ratemaking. In order to establish just and reasonable rates, the Commission must be able to properly determine the revenue requirements of the Company. Based upon the evidence of record, the Commission could not determine the amount of additional sewer service revenue as it was unknown whether the billing determinants included those occupied but unbilled premises. As a result, the Commission could not determine the proper amount of the revenue increase and set a just and reasonable rate for sewer service. With regard to sewer service, United argues that the Commission could have imputed the amount of \$86,952, but not knowing the depth of the problem of unbilled sewer revenue, the Commission would have been forced to speculate as to the amount to impute as the 11% figure is based on a vacancy survey of only three of the twelve subdivisions served by United's sewer services.

A similar conclusion was reached with regard to water service. Clearly, water billing by the Company is also irregular, and leads us to conclude that, in addition to being unable to determine future revenue requirements for sewer operations, we are also unable to determine future revenue requirements for water operations. Accordingly, we cannot determine the revenue requirement for the entire Company, and must therefore deny the requested rate increase. Clearly, this Commission does not have the obligation to solicit information to address the weaknesses in the Company's case. Nor are any of the other allegations of error contained in the Company's Petition meritorious.

I also remain concerned about the iron problems in the customers' water. ORS recommended that the Company increase system flushing to at least once per month. Mr. Haas testified that the Company will increase flushing to once per month as recommended by ORS; however, he stated that because the groundwater serving the Trollingwood subdivision has a very high iron content, removal of all iron is not possible. Even though it is apparent that flushing alone may improve but not eliminate the problem of the iron content in the water in Trollingwood, it appears that the Company is at least recognizing that aesthetics of water are important to customers and impacts customer service. In addition to upgrading the filter system, UUCI is volunteering to increase flushing of the lines in that subdivision to once per month. This response is a reasonable proposal, and shows that the Company is attempting to address the problem. As stated in our original order, we have adopted their proposal and look forward to reviewing the Company's progress in the area of water aesthetics in future cases, recognizing that the aesthetic quality of the water impacts customer service.

Again, it is within this Commission's discretion to decide whether to grant the Company's request for a rehearing, but the Company is not entitled to a rehearing as a matter of law. As such, and for the reasons I have stated, I move we deny rehearing and reconsideration.

I also move we deny approval of the proposed bond in the case, based on a fatal inconsistency in the body of the proposed bond document. The amount of the bond being requested for approval is unclear. The amount of the bond is "written out" as "two hundred ninety seven thousand four hundred fourteen and No/100s Dollars." However, the amount requested in figures is "\$311,426.00." Because of this discrepancy, the Commission is unable to determine what the true requested amount actually is. Accordingly, we also deny approval of the bond.

PRESIDING: Fleming

SESSION: Regular

TIME: 2:30 p.m.

	MOTION	YES	NO	OTHER
FLEMING	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HALL	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<u>Not Voting</u>
HAMILTON	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HOWARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
MITCHELL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

Commissioner Hall was not a member of the Commission at the time of the Hearing

WHITFIELD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WRIGHT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

(SEAL)

RECORDED BY: J. Schmieding

